

July 27, 1999

Largest Middle Class Tax Cut Since Reagan Helps Millions

Middle Class Tax Relief Scorecard

The Senate Finance Committee-reported tax cut bill, S. 1429, is the largest middle class tax cut since Ronald Reagan was president. It would provide \$792 billion in fiscally responsible tax relief over the next ten years while reducing the public debt \$200 billion more than the President's budget — and without touching a cent of the \$1.9-trillion Social Security surplus.

Brought down from the fiscal level to the human level, the GOP tax cut would also help millions and millions of America's families, small businesses, farms, students, parents, and retirees. According to the Joint Committee on Taxation's latest analysis, the bill would provide the following relief:

Fifteen Percent Rate Bracket Reduction: 98 million middle class returns. This benefits everyone with a tax liability — 80 million of whom have annual incomes of under \$75,000.

New Fourteen Percent Rate Bracket Expansion: 36 million middle class returns. This puts more middle class Americans and more middle class income into the lowest income tax bracket.

Marriage Penalty Relief: 19 million married returns. By allowing married individuals the option to file separate tax returns as though they were still single, this will end the marriage penalty that millions of American families incur when both spouses work to make ends meet.

Full Middle Class Access to Tax Credits: 13 million families. Many middle class families are excluded from the very tax credits (such as \$500 per child) that they were intended to receive because of the AMT. This will give these families full access to this middle class benefit.

Increased Retirement Savings: 15 million families and individuals. Currently, IRA contributions are fixed and therefore are falling relative to future retirement needs. This allows middle class savers to keep pace with their own futures.

Self-employed Health Care Deductibility: 3 million small businesses and farms. Unlike employees who receive tax-favored treatment for their health insurance through their employers, millions of small business people and farmers receive only a portion of that tax break. This provision immediately equalizes the tax treatment for these small businesses and farms.

Repeal FUTA Surtax: 6 million small businesses. The Federal Unemployment Tax Act (FUTA) surtax is in fact a small business surtax that is not needed to fund unemployment benefits. This provision makes 6 million small businesses more competitive and lowers prices for millions more consumers.

Charitable Contribution Encouragement: 36 million families and individuals. This would allow even those non-itemizers (33 million of whom make \$75,000 or less) to still get tax credit for contributions to their choice of church, school, or other charity.

It is easy to get lost in abstract numbers too large to comprehend in real terms — the billions and trillions of dollars in federal budget surpluses that are being talked about over the next ten years. It is well that Congress and the President remember that behind these abstract figures stand real men, women, and children — real families that together have paid these billions and trillions of dollars in taxes. Real families that are trying to make ends meet. Real farms that are trying to plant and harvest a crop. Real small businesses that are trying to make payrolls.

For these millions of families, farms, and small businesses, the Senate tax cut bill would deliver real relief — funded in a fiscally responsible way from the personal income tax overpayment by these same families, farms, and small businesses. These millions are — unlike mere estimators' numbers — real people with real dreams who are suffering under a real personal income tax overpayment. To them, the Senate tax bill would give real and deserved relief.

Staff contact: Dr. J.T. Young, 224-2946